

strengthen the Russian economy—increasing employment, the growth of tax receipts for the budget, and economic and political stabilization.

2. *Secure access to U.S. financial resources and the resources of international financial institutions for subdivisions of the Russian Federation that are disposed to carrying out reforms and which have a high ratio of investment attractiveness that meets the demands of the leading international financial credit institutions, or has the potential to meet them in the near future.*

A significant part of the financial resources coming from the U.S.A. and international financial institutions should be directed to those Russian oblasts and krais in which real economic reforms are already occurring. Tax reform, privatizations, and land reform are all areas where the regions have accomplished far more than the central government in Moscow. In determining the distribution of these funds to the regions, priority should be given to those in which there are more serious programs of reform. The criteria for evaluating the effectiveness of regional economic reform programs should be clearly defined. This will allow the regions to be sure that they will be objectively evaluated and guarantee them the necessary incentives for the establishment of effective economic reform programs.

3. *After auditing, stop the financing of those projects in which serious financial infractions were committed during their realization.*

More decisive measures should be taken to ensure accountability for previously allocated funds provided by the U.S.A. and international financial institutions. Strict fulfillment of financing, agreements by banks, government organizations, regional governments, or non-governmental organizations that have not been able to account for previously provided financial funds should be required. In the future such establishments, should not receive financial resources. The return of allocated funds from unscrupulous matters needs to be achieved through joint efforts and these funds directed toward the realization of specific programs approved by the State Duma of the Russian Federation and the Federation Council. This will have the practical effect of preventing future access to Western governments' and international financial institutions' funds by large and unreliable banks and other organizations.

4. *Create a joint Russian-American oversight commission to monitor expenditures allocated by the U.S.A. and by the international financial structures of Russia make up of 8 members of the U.S. Congress and 8 deputies of the State Duma of the RF, with 2 co-chairs.*

The negative feelings to further aid from the international financial institutions are intensifying in both the U.S. Congress and the State Duma of the RF. One way to counter the tendency and strengthen the authority of the State Duma and the U.S. Congress is to create a joint Russian-American legislative commission on oversight for verification of funds flowing from the U.S.A. and international financial institutions. Ensuring the funds are used as intended by the end consumer is under the control of the aforementioned commission.

5. *Reform of the International Monetary Fund.*

The U.S. Congress and the State Duma of the RF should request that the International Monetary Fund create an International Expert Commission, composed of the most prominent financial experts, to draw up recommendations for reforming the IMF. These should be directed toward achieving more transparency in its structures and increasing the effectiveness of programs while decreasing financial risk. If the IMF does not want

to create such a commission, then the U.S. Congress and the State Duma of the Russian Federation should think about creating a bilateral commission of experts for subsequent work with the IMF on its realization.

6. *The financing of different reform programs in the Russian economy will be conducted only after the passing of a Federal law on a foreign borrowing program taking into account the position of the regions where these programs will be realized.*

In the majority of cases, the funds from international financial institutions flow long before the promised reforms are advanced, if they are advanced at all. It's time to make it so that reforms precede and not follow the financing of important economic reforms at the federal and regional levels. The administration of RF President B.N. Yeltsin and the RF Government issued guarantees while not controlling the fulfillment of these obligations that have heavy consequences for the population of Russia.

7. *In the course of 180 days a bilateral working group of members of the U.S. Congress and the State Duma of the Russian Federation will prepare a plan according to an expert evaluation of further operations on the issue of the bankrupt industrial enterprises of the Russian Federation.*

The U.S. Congress, the State Duma, and the administrations of both countries should create a working group of international financial experts and give them 180 days to work out a comprehensive program to reform, privatize or shutter industrial enterprises which, in practice, are bankrupt and uncompetitive in market economy conditions. They continue to remain afloat due to subsidies connected with local political imperatives and the fact that, in many regions, they are the only sources of employment. Many former state enterprises (light processing industries, food, etc.) have made successful transitions and produce goods that compete with imported products without government subsidies. This is clear evidence that Russian enterprises can be competitive. That notwithstanding, the expert commission should prohibit financing of military-industrial complex enterprises from investment funds which have been attracted to accomplish social programs for the Russian population.

8. *Development of an initiative for the organization of commercial and financial education.*

In accordance with intergovernment agreements, 15,000 Russian students and graduate students should be enrolled in American colleges and universities in a regular course of study. All Russian students who take part in this program will return to Russian upon completion of their educational program. The goal of such a program is to ensure a qualified corps of specialists in Russia.

Respected colleagues, we ask you, after becoming acquainted with our suggestions, to express your opinions.

Sincerely,

V. TSOY,
Chair of the Commission, Deputy of the State Duma, Russian Federation.

C. WELDON,
Member of the House of Representatives, U.S. Congress.

[DISCUSSION DRAFT ON RUSSIAN HOUSING]

To propose principles governing the provision of International Monetary fund assistance to Russia.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Russian Economic Restoration and Justice Act of 1999".

SEC. 2. PRINCIPLES GOVERNING INTERNATIONAL MONETARY FUND ASSISTANCE TO RUSSIA.

The Bretton Woods Agreements Act (22 U.S.C. 286-286mm) is amended by adding at the end the following:

"SEC. 61. PRINCIPLES GOVERNING INTERNATIONAL MONETARY FUND ASSISTANCE TO RUSSIA.

"(a) CONDITIONS AND LIMITATIONS OF ASSISTANCE.—The Secretary of the Treasury shall instruct the United States Executive Director at the Fund to use the voice and vote of the United States to urge the Fund—

"(1) to not provide any assistance to the government of the Russian Federation or of any political subdivision of the Russian Federation or to any other entity in the Russian Federation, until there is in effect a Russian federal law that implements the economic reforms described in subsection (b); and

"(2) to provide assistance to the Russian Federation or a political subdivision of the Russian Federation only to aid the implementation of such reforms.

"(b) ECONOMIC REFORMS.—The economic reforms described in this subsection are the following:

"(1) Land reform, including private ownership of land.

"(2) Further privatization of state-owned industrial enterprises.

"(3) Tax reform, including increased collection of tax obligations.

"(4) Development of effective commercial law, including the ability of individuals to seek enforcement of contracts by an effective judicial system.

"(5) Establishment of residential mortgage financing system for middle class individuals residing in the Russian Federation.

"(6) The development of criteria for evaluating the effectiveness of regional economic reform programs in the Russian Federation, and the use of such criteria to assure that Western resources are provided to the political subdivisions of the Russian Federation on an equitable basis, taking into account the necessity to provide incentives for political subdivisions to implement viable economic reforms and to reward those that have made progress in implementing such reforms.

"(7) The development of steps to make the recipients of Western resources in the Russian Federation accountable for the use of such resources."

SEC. 3. RUSSIAN-AMERICAN FINANCIAL OVERSIGHT COMMISSION.

(a) IN GENERAL.—The Speaker of the House of Representatives and the President of the Senate shall seek to enter into negotiations with the State Duma and the Federation Council of the Russian Federation for the establishment of a commission which would—

(1) be composed of 8 Members of the United States Congress and a total of 8 Deputies from the State Duma and Federation Council;

(2) monitor expenditures of the funds provided to the government of the Russian Federation or a political subdivision of the Russian Federation by the United States or the international community, for the purpose of evaluating that the funds are used for only for the purposes for which provided; and

(3) create a working group of financial experts tasked with developing a comprehensive program to reform, privatize, or close industrial enterprises in the Russian Federation that are bankrupt and are (or would be) not competitive under conditions of a market economy without significant government financial support.

(b) MEMBERSHIP.—On the successful conclusion of negotiations under subsection (a), the Speaker of the House of Representatives and the President of the Senate are jointly authorized to appoint 8 Members of Congress to